

## Chapter 10C

FCA senior managers regime  
for approved persons in  
SMCR firms

**10C.6B** Systems and controls functions: Other

**Seniority**

- 10C.6B.1 **G** The FCA expects a *firm* to ensure that a person performing a function in this section for a *firm* has sufficient expertise and authority to perform that function effectively. A *director* or *senior manager* would meet this expectation.

**The chief operations function (SMF24)**

- 10C.6B.2 **R**
- (1) The *chief operations function* is the function of having overall responsibility for managing all or substantially all the internal operations or technology of the *firm* or of a part of the *firm*.
  - (2) In deciding whether a *person* has overall responsibility for managing all or substantially all the matters described in (1) for the purposes of this *rule*, the following are left out of account if one or more other *persons* have overall responsibility for them:
    - (a) the matters to which the *internal audit requirements for SMCR firms*, the *compliance requirements for SMCR firms* or the *risk control requirements for SMCR firms* relate;
    - (b) the matters to which any of the *FCA required functions* relate; or
    - (c) any part of the *firm* responsible for advising other parts of the *firm*.
  - (3) (2) applies to a *firm* whether or not the requirements in (2)(a) or the functions in (2)(b) apply to it.
  - (4) The *chief operations function* does not include the function of acting in the capacity of a *chief executive* of a *firm*.
  - (5) A *person* (P) does not perform the *chief operations function* by managing the internal operations or technology of a part of a *firm* that carries out other functions (such as a part of the *firm* that carries on *regulated activities* with *clients*) as part of P's function of managing that part of the *firm*.
  - (6) A *firm's SMCR legal function* is not included in the *firm's* internal operations or technology for the purpose of the definition of the *chief operations function*.

- 10C.6B.3** **G** (1) In **■ SUP 10C.6B.2R** technology refers principally to the *firm's* information and communications technology (ICT) systems and services.
- (2) Those services include but may not be necessarily limited to the mechanisms and networks that support the operations of a *firm*, including data entry, data storage, data processing and reporting services, but also monitoring, business and decision support services.

- 10C.6B.4** **G** The *chief operations function* may include but not necessarily be limited to areas such as:
- (1) business continuity (including responsibility for compliance with **■ SYSC 4.1.6R** and **■ SYSC 4.1.7R** (Business continuity), if those *rules* apply to the *firm*);
- (2) cybersecurity;
- (3) information technology;
- (4) internal operations;
- (5) operational continuity, resilience and strategy;
- (5) outsourcing, procurement and vendor management; and
- (5) management of services shared with other *group* members.

- 10C.6B.5** **G** As explained in **■ SYSC 26.11.4G** (Overall responsibility for internal operations), if:
- (1) a *firm* does not have anyone who performs the *chief operations function*; but
- (2) **■ SYSC 26** (Senior managers and certification regime: Overall and local responsibility) applies to the *firm*;

the *firm* should allocate responsibility for the functions in **■ SUP 10C.6B.4G** among its *SMF managers* under **■ SYSC 26**.

- 10C.6B.6** **G** If a *firm* is required to have a *management responsibilities map*, the map should include the functions in **■ SUP 10C.6B.4G**, whether or not the *firm* has someone who performs the *chief operations function* (see **■ SYSC 25 Annex 1** (Examples of the business activities and functions of an SMCR firm)).

- 10C.6B.7** **G** The table in **■ SUP 10C.6B.8G** gives examples of how the *chief operations function* applies.

- 10C.6B.8** **G** Table: Examples of how the chief operations function applies

Example	Comments
<p>(1) <i>Firm A</i> has the following three individuals.</p> <ul style="list-style-type: none"> <li>- Chief Operating Officer (COO);</li> <li>- Chief Information &amp; Technology Officer (CITO);</li> <li>- Head of Human Resources (Head of HR).</li> </ul> <p>The Head of HR and the CITO report to the COO.</p>	<p>The COO is the only person performing the <i>chief operations function</i>.</p>
<p>(2) <i>Firm A</i> has the following two individuals:</p> <ul style="list-style-type: none"> <li>- Chief Operating Officer (COO);</li> <li>- Chief Information and Technology Officer (CITO).</li> </ul> <p>The COO and CITO are equally senior. Both have separate reporting lines to the Board and the CEO.</p> <p>Overall responsibility for information technology is shared between the COO and CITO.</p> <p>The COO has overall responsibility for all other internal operations.</p>	<p>Both individuals perform the <i>chief operations function</i>.</p>
<p>(3) <i>Firm A</i> has two business lines (broking and advice). It has the following individuals:</p> <ul style="list-style-type: none"> <li>- a Chief Operating Officer responsible for the internal operations of the broking business (other than technology) (B)</li> <li>- a Chief Information and Technology Officer for the broking business (C)</li> <li>- an individual who combines the roles of Chief Operating Officer and Chief Information and Technology Officer for the advice business (D).</li> </ul> <p>B, C and D are equally senior. They all have separate reporting lines to the Board and the CEO.</p>	<p>B, C and D perform the <i>chief operations function</i>.</p>
<p>(4) <i>Firm A</i> splits overall responsibility for its internal operations between various individuals. A separate individual is responsible for human resources, business continuity, procurement and outsourcing, buildings and the remaining parts of internal operations. <i>Firm A</i> also has a Chief Information &amp; Technology Officer (CITO) with responsibility for all the <i>firm's</i> technology.</p>	<p>The CITO performs the <i>chief operations function</i>.</p> <p>None of the others perform the <i>chief operations function</i>. This is because none of them has responsibility for the <i>firm's</i> internal operations as a whole or for all the internal operations of a part of the business. <i>Firm A</i> has divided the responsibility based on function rather than business line.</p>

Example	Comments
<p>Each individual is equally senior.</p>	<p>However those others may be performing the <i>other overall responsibility function</i>.</p>
<p>(5) <i>Firm A</i> has a Chief Operating Officer (B) responsible for its internal operations. However <i>Firm A</i> separates its internal advisory functions (such as economic and market analysis) and allocates them to C.</p>	<p>B performs the <i>chief operations function</i>. C does not. The same answer would apply if C's functions were split between several others.</p>
<p>(6) <i>Firm A</i> has a Chief Operating Officer (B). B does not report to the <i>firm's governing body</i>. B reports to several directors about different aspects of B's job, who in turn report to the <i>governing body</i>.</p>	<p>B does not perform the <i>chief operations function</i>. B does not have overall responsibility for internal operations as B does not have direct responsibility to the <i>governing body</i>. SYSC 26.7 (Meaning of local and overall responsibility: Reporting to the governing body) is relevant to the meaning of overall responsibility in this context.  The directors to whom B reports do not perform the <i>chief operations function</i> either, for the reasons in Example (4).</p>
<p>(7) <i>Firm A</i> has two business lines (broking and advice). B is chief executive of the broking division and C is chief executive of the advisory division. Each chief executive is responsible for the internal operations and IT of their division. Both B and C report to the Board.</p>	<p>SUP 10C.6B.2R(5) means that neither B nor C performs the <i>chief operations function</i>.</p>
<p>(8) <i>Firm A</i> has a Chief Operating Officer (B) responsible for its internal operations. B is not responsible for <i>Firm A's</i> legal department, which is managed by the <i>firm's</i> general counsel (C).</p>	<p>B performs the <i>chief operations function</i>. C does not.</p>